

HOUSE BILL 447

Introduced by Swanson, et al.

2/03	Introduced
2/03	Referred to Taxation
2/03	Fiscal Note Requested
2/03	First Reading
2/10	Fiscal Note Received
2/10	Fiscal Note Printed
2/12	Hearing
3/18	Tabled in Committee

1 House BILL NO. 447
 2 INTRODUCED BY Swanson, Evers, Spring, Jara
 3 Daley, Roney, Baskie, Emery, McPherson, Harper
 4 Wahlen A BILL FOR AN ACT ENTITLED: "AN ACT TAXING NONAGRICULTURAL
 5 AND NONFOREST RURAL RESIDENTIAL PROPERTY CONSISTING OF
 6 BETWEEN 5 AND 80 ACRES LOCATED OUTSIDE A CITY OR TOWN AT
 7 ONE-HALF THE RATE OF CLASS FOUR PROPERTY; PROVIDING THAT
 8 RESIDENTIAL IMPROVEMENTS AND 1 ACRE OF LAND UNDER THE
 9 RESIDENTIAL IMPROVEMENTS ARE NOT CLASSIFIED AS RURAL
 10 RESIDENTIAL PROPERTY; INCREASING THE MINIMUM AGRICULTURAL
 11 INCOME FOR SMALL ACREAGES FROM \$1,500 TO \$3,000 AND
 12 REQUIRING ANNUAL CERTIFICATION OF THAT AMOUNT; PROVIDING
 13 THAT LAND MUST INCLUDE AT LEAST 80 ACRES FOR IT TO BE
 14 AUTOMATICALLY CLASSIFIED AS AGRICULTURAL LAND; INCREASING
 15 THE MINIMUM ACREAGE AUTOMATICALLY QUALIFYING AS FOREST LAND
 16 FROM 15 TO 80 ACRES; REQUIRING AT LEAST \$3,000 OF FOREST
 17 INCOME FOR LAND TOTALING LESS THAN 80 ACRES TO QUALIFY AS
 18 FOREST LAND; AMENDING SECTIONS 15-1-101, 15-6-134, 15-7-202,
 19 AND 15-44-102, MCA; AND PROVIDING AN APPLICABILITY DATE."
 20
 21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 22 **Section 1.** Section 15-1-101, MCA, is amended to read:
 23 "15-1-101. (Temporary) Definitions. (1) Except as
 24 otherwise specifically provided, when terms mentioned in
 25 this section are used in connection with taxation, they are

1 defined in the following manner:

- 2 (a) The term "agricultural" refers to:
- 3 (i) the production of food, feed, and fiber
 4 commodities, livestock and poultry, bees, fruits and
 5 vegetables, and sod, ornamental, nursery, and horticultural
 6 crops that are raised, grown, or produced for commercial
 7 purposes; and
- 8 (ii) the raising of domestic animals and wildlife in
 9 domestication or a captive environment.
- 10 (b) The term "assessed value" means the value of
 11 property as defined in 15-8-111.
- 12 (c) The term "average wholesale value" means the value
 13 to a dealer prior to reconditioning and profit margin shown
 14 in national appraisal guides and manuals or the valuation
 15 schedules of the department of revenue.
- 16 (d) (i) The term "commercial", when used to describe
 17 property, means any property used or owned by a business, a
 18 trade, or a corporation as defined in 35-2-114 or used for
 19 the production of income, except that property described in
 20 subsection (ii).
- 21 (ii) The following types of property are not commercial:
- 22 (A) agricultural lands;
- 23 (B) timberlands and, beginning January 1, 1994, forest
 24 lands;
- 25 (C) single-family residences and ancillary improvements

1 and improvements necessary to the function of a bona fide
2 farm, ranch, or stock operation;

3 (D) mobile homes used exclusively as a residence except
4 when held by a distributor or dealer of trailers or mobile
5 homes as his stock in trade;

6 (E) all property described in 15-6-135; and

7 (F) all property described in 15-6-136.

8 (e) The term "comparable property" means property that
9 has similar use, function, and utility; that is influenced
10 by the same set of economic trends and physical,
11 governmental, and social factors; and that has the potential
12 of a similar highest and best use.

13 (f) The term "credit" means solvent debts, secured or
14 unsecured, owing to a person.

15 (g) The term "improvements" includes all buildings,
16 structures, fences, and improvements situated upon, erected
17 upon, or affixed to land. When the department of revenue or
18 its agent determines that the permanency of location of a
19 mobile home or housetrailer has been established, the mobile
20 home or housetrailer is presumed to be an improvement to
21 real property. A mobile home or housetrailer may be
22 determined to be permanently located only when it is
23 attached to a foundation which cannot feasibly be relocated
24 and only when the wheels are removed.

25 (h) The term "leasehold improvements" means

1 improvements to mobile homes and mobile homes located on
2 land owned by another person. This property is assessed
3 under the appropriate classification and the taxes are due
4 and payable in two payments as provided in 15-24-202.
5 Delinquent taxes on such leasehold improvements are a lien
6 only on such the leasehold improvements.

7 (i) The term "livestock" means cattle, sheep, swine,
8 goats, horses, mules, and asses.

9 (j) The term "mobile home" means forms of housing known
10 as "trailers", "housetrainers", or "trailer coaches"
11 exceeding 8 feet in width or 45 feet in length, designed to
12 be moved from one place to another by an independent power
13 connected to them, or any "trailer", "housetrailer", or
14 "trailer coach" up to 8 feet in width or 45 feet in length
15 used as a principal residence.

16 (k) The term "personal property" includes everything
17 that is the subject of ownership but that is not included
18 within the meaning of the terms "real estate" and
19 "improvements".

20 (l) The term "poultry" includes all chickens, turkeys,
21 geese, ducks, and other birds raised in domestication to
22 produce food or feathers.

23 (m) The term "property" includes moneys money, credits,
24 bonds, stocks, franchises, and all other matters and things,
25 real, personal, and mixed, capable of private ownership.

1 This definition ~~must~~ may not be construed to authorize the
 2 taxation of the stocks of any company or corporation when
 3 the property of ~~such~~ the company or corporation represented
 4 by the stocks is within the state and has been taxed.

5 (n) The term "real estate" includes:

6 (i) the possession of, claim to, ownership of, or right
 7 to the possession of land;

8 (ii) all mines, minerals, and quarries in and under the
 9 land subject to the provisions of 15-23-501 and Title 15,
 10 chapter 23, part 8; all timber belonging to individuals or
 11 corporations growing or being on the lands of the United
 12 States; and all rights and privileges appertaining ~~thereto~~
 13 to the land.

14 (o) "Research and development firm" means an entity
 15 incorporated under the laws of this state or a foreign
 16 corporation authorized to do business in this state whose
 17 principal purpose is to engage in theoretical analysis,
 18 exploration, and experimentation and the extension of
 19 investigative findings and theories of a scientific and
 20 technical nature into practical application for experimental
 21 and demonstration purposes, including the experimental
 22 production and testing of models, devices, equipment,
 23 materials, and processes.

24 (p) The term "taxable value" means the percentage of
 25 market or assessed value as provided for in Title 15,

1 chapter 6, part 1.

2 (q) The term "weighted mean assessment ratio" means the
 3 total of the assessed values divided by the total of the
 4 selling prices of all area sales in the stratum.

5 (2) The phrase "municipal corporation" or
 6 "municipality" or "taxing unit" ~~shall-be-deemed--to--include~~
 7 includes a county, city, incorporated town, township, school
 8 district, irrigation district, drainage district, or any
 9 person, persons, or organized body authorized by law to
 10 establish tax levies for the purpose of raising public
 11 revenue.

12 (3) The term "state board" or "board" when used without
 13 other qualification ~~shall-mean~~ means the state tax appeal
 14 board.

15 15-1-101. (Effective July 1, 1993) Definitions. (1)
 16 Except as otherwise specifically provided, when terms
 17 mentioned in this section are used in connection with
 18 taxation, they are defined in the following manner:

19 (a) The term "agricultural" refers to:

20 (i) the production of food, feed, and fiber
 21 commodities, livestock and poultry, bees, fruits and
 22 vegetables, and sod, ornamental, nursery, and horticultural
 23 crops that are raised, grown, or produced for commercial
 24 purposes; and

25 (ii) the raising of domestic animals and wildlife in

1 domestication or a captive environment.

2 (b) The term "assessed value" means the value of
3 property as defined in 15-8-111.

4 (c) The term "average wholesale value" means the value
5 to a dealer prior to reconditioning and profit margin shown
6 in national appraisal guides and manuals or the valuation
7 schedules of the department of revenue.

8 (d) (i) The term "commercial", when used to describe
9 property, means any property used or owned by a business, a
10 trade, or a corporation as defined in 35-2-114 or used for
11 the production of income, except that property described in
12 subsection (ii).

13 (ii) The following types of property are not commercial:

14 (A) agricultural lands;

15 (B) timberlands and, beginning January 1, 1994, forest
16 lands;

17 (C) single-family residences and ancillary improvements
18 and improvements necessary to the function of a bona fide
19 farm, ranch, or stock operation;

20 (D) mobile homes used exclusively as a residence except
21 when held by a distributor or dealer of trailers or mobile
22 homes as his stock in trade;

23 (E) all property described in 15-6-135; and

24 (F) all property described in 15-6-136.

25 (e) The term "comparable property" means property that

1 has similar use, function, and utility; that is influenced
2 by the same set of economic trends and physical,
3 governmental, and social factors; and that has the potential
4 of a similar highest and best use.

5 (f) The term "credit" means solvent debts, secured or
6 unsecured, owing to a person.

7 (g) The term "improvements" includes all buildings,
8 structures, fences, and improvements situated upon, erected
9 upon, or affixed to land. When the department of revenue or
10 its agent determines that the permanency of location of a
11 mobile home or housetrailer has been established, the mobile
12 home or housetrailer is presumed to be an improvement to
13 real property. A mobile home or housetrailer may be
14 determined to be permanently located only when it is
15 attached to a foundation which cannot feasibly be relocated
16 and only when the wheels are removed.

17 (h) The term "leasehold improvements" means
18 improvements to mobile homes and mobile homes located on
19 land owned by another person. This property is assessed
20 under the appropriate classification and the taxes are due
21 and payable in two payments as provided in 15-24-202.
22 Delinquent taxes on such leasehold improvements are a lien
23 only on such the leasehold improvements.

24 (i) The term "livestock" means cattle, sheep, swine,
25 goats, horses, mules, and asses.

(j) The term "mobile home" means forms of housing known as "trailers", "housetrainers", or "trailer coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an independent power connected to them, or any "trailer", "housetrailer", or "trailer coach" up to 8 feet in width or 45 feet in length used as a principal residence.

(k) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(l) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in domestication to produce food or feathers.

(m) The term "property" includes moneys money, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition must may not be construed to authorize the taxation of the stocks of any company or corporation when the property of such the company or corporation represented by the stocks is within the state and has been taxed.

(n) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the

land subject to the provisions of 15-23-501 and Title 15, chapter 23, part 8; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto to the land.

(o) "Research and development firm" means an entity incorporated under the laws of this state or a foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific and technical nature into practical application for experimental and demonstration purposes, including the experimental production and testing of models, devices, equipment, materials, and processes.

(p) (i) "Rural residential property" means land that:

(A) is located outside the limits of a city or town;

(B) consists of not less than 5 or more than 80 contiguous acres;

(C) is used or intended to be used for residential purposes, including incidental business operations conducted by the occupant and members of the occupant's family.

(ii) Rural residential property does not include property on which there are improvements, including a trailer or a mobile home, used as a residence and 1 acre

1 beneath the residential improvements.

2 ~~(p)~~(q) The term "taxable value" means the percentage of
3 market or assessed value as provided for in Title 15,
4 chapter 6, part 1.

5 (2) The phrase "municipal corporation" or
6 "municipality" or "taxing unit" ~~shall-be-deemed--to--include~~
7 includes a county, city, incorporated town, township, school
8 district, irrigation district, drainage district, or any
9 person, persons, or organized body authorized by law to
10 establish tax levies for the purpose of raising public
11 revenue.

12 (3) The term "state board" or "board" when used without
13 other qualification ~~shall-mean~~ means the state tax appeal
14 board."

15 **Section 2.** Section 15-6-134, MCA, is amended to read:

16 "15-6-134. Class four property -- description --
17 taxable percentage. (1) Class four property includes:

18 (a) all land except that specifically included in
19 another class;

20 (b) all improvements, including trailers or mobile
21 homes used as a residence, except those specifically
22 included in another class;

23 (c) the first \$80,000 or less of the market value of
24 any improvement on real property, including trailers or
25 mobile homes, and appurtenant land not exceeding 5 acres

1 owned or under contract for deed and actually occupied for
2 at least 10 months a year as the primary residential
3 dwelling of any person whose total income from all sources,
4 including net business income or loss and otherwise
5 tax-exempt income of all types but not including social
6 security income paid directly to a nursing home, is not more
7 than \$10,000 for a single person or \$12,000 for a married
8 couple or a head of household, as adjusted according to
9 subsection (2)(b)(ii);

10 (d) all golf courses, including land and improvements
11 actually and necessarily used for that purpose, that consist
12 of at least 9 holes and not less than 3,000 lineal yards;

13 (e) rural residential property as defined in 15-1-101.

14 (2) Class four property is taxed as follows:

15 (a) Except as provided in 15-24-1402 or 15-24-1501,
16 property described in subsections (1)(a) and (1)(b) is taxed
17 at 3.86% of its market value.

18 (b) (i) Property described in subsection (1)(c) is
19 taxed at 3.86% of its market value multiplied by a
20 percentage figure based on income and determined from the
21 following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%

1	1,001 - 2,000	1,201 - 2,400	10%
2	2,001 - 3,000	2,401 - 3,600	20%
3	3,001 - 4,000	3,601 - 4,800	30%
4	4,001 - 5,000	4,801 - 6,000	40%
5	5,001 - 6,000	6,001 - 7,200	50%
6	6,001 - 7,000	7,201 - 8,400	60%
7	7,001 - 8,000	8,401 - 9,600	70%
8	8,001 - 9,000	9,601 - 10,800	80%
9	9,001 - 10,000	10,801 - 12,000	90%
10	(ii) The income levels contained in the table in		
11	subsection (2)(b)(i) must be adjusted for inflation annually		
12	by the department of revenue. The adjustment to the income		
13	levels is determined by:		
14	(A) multiplying the appropriate dollar amount from the		
15	table in subsection (2)(b)(i) by the ratio of the PCE for		
16	the second quarter of the year prior to the year of		
17	application to the PCE for the second quarter of 1986; and		
18	(B) rounding the product thus obtained to the nearest		
19	whole dollar amount.		
20	(iii) "PCE" means the implicit price deflator for		
21	personal consumption expenditures as published quarterly in		
22	the Survey of Current Business by the bureau of economic		
23	analysis of the U.S. department of commerce.		
24	(c) Property described in subsection <u>subsections</u> (1)(d)		
25	and <u>(1)(e)</u> is taxed at one-half the taxable percentage rate		

1 established in subsection (2)(a).

2 (3) After July 1, 1986, no adjustment may be made by
3 the department to the taxable percentage rate for class four
4 property until a revaluation has been made as provided in
5 15-7-111.

6 (4) Within the meaning of comparable property as
7 defined in 15-1-101, property assessed as commercial
8 property is comparable only to other property assessed as
9 commercial property, and property assessed as other than
10 commercial property is comparable only to other property
11 assessed as other than commercial property."

12 **Section 3.** Section 15-7-202, MCA, is amended to read:

13 "15-7-202. Eligibility of land for valuation as
14 agricultural. (1) Contiguous parcels of land totaling 20 80
15 acres or more under one ownership ~~shall-be~~ are eligible for
16 valuation, assessment, and taxation as agricultural land
17 each year that none of the parcels is devoted to a
18 commercial or industrial use.

19 (2) Except as provided in subsection (8), contiguous or
20 noncontiguous parcels of land totaling less than 20 80 acres
21 under one ownership that are actively devoted to
22 agricultural use ~~shall-be~~ are eligible for valuation,
23 assessment, and taxation as herein-provided agricultural
24 each year the parcels meet any of the following
25 qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than \$17,500 \$3,000 in annual gross income from the raising of agricultural products as defined in 15-1-101; or

(b) the parcels would have met the qualification set out in subsection (2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

(3) Parcels that do not meet the qualifications set out in subsections (1) and (2) ~~shall~~ may not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

(4) Land may not be classified or valued as agricultural if it is subdivided land with stated restrictions effectively prohibiting its use for agricultural purposes. For the purposes of this subsection only, "subdivided land" includes parcels of land larger than 20 acres that have been subdivided for commercial or residential purposes.

(5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise ~~shall~~ may not be considered a bona

fide agricultural operation.

(6) If land totaling 80 acres or more has been valued, assessed, and taxed as agricultural land in any year, it ~~shall~~ must continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111. A landowner of agricultural land that totals less than 80 acres shall certify annually, in a manner specified by the department, that the land qualifies as agricultural land under this section.

(7) For the purposes of this part, growing timber is not an agricultural use.

(8) Subject to the provisions of subsections (2)(a) and (2)(b), property upon which sod, ornamental, nursery, or horticultural crops are raised, grown, or produced must consist of at least 10 acres before the property is eligible to be classified as agricultural land. Improvements devoted to crop production described in this subsection may not be included in class eleven property."

Section 4. Section 15-44-102, MCA, is amended to read:

"15-44-102. Definitions. For the purposes of this part, unless the context requires otherwise, the following definitions apply:

(1) "Culmination of mean annual increment" means the point of optimum net wood production on an acre of forest

1 land.

2 (2) "Cultivated Christmas trees" means Christmas trees
3 that are grown on land prepared by intensive cultivation and
4 tilling, such as by plowing or turning over the soil, and on
5 which all unwanted plant growth is controlled for the
6 exclusive purpose of raising Christmas trees.

7 (3) "Department" means the department of revenue.

8 (4) "Forest" means forest land and the timber on the
9 land.

10 (5) (a) "Forest land" means contiguous land of 15 80
11 acres or more in one ownership that is capable of producing
12 timber that can be harvested in commercial quantity and is
13 producing timber unless the trees have been removed by man
14 through harvest, including clearcuts, or by natural
15 disaster, including but not limited to fire. Forest land
16 includes land:

17 (i) that has not been converted to another use; or

18 (ii) that has a dedicated use that is evidenced by a
19 statement of intent by the owner for the eventual harvest of
20 timber.

21 (b) Land of less than 80 acres that otherwise meets the
22 requirements of subsection (5)(a) qualifies as forest land
23 if the landowner produces not less than \$3,000 in annual
24 gross income from timber harvest on the parcel.

25 (6) "Forest productivity value" means the value of

1 forest land for assessment purposes, which value is
2 determined only on the basis of its ability to produce
3 timber, other forest products, and associated agricultural
4 products through an income approach provided for in
5 15-44-103.

6 (7) "Harvest" means an activity related to the cutting
7 or removal of timber for use or sale as a forest product.

8 (8) "Landowner" means an individual, corporation,
9 association, company, firm, joint venture, syndicate, or
10 trust.

11 (9) "Mean annual net wood production" means the average
12 net usable volume of wood 1 acre of forest land will grow in
13 1 year under average current and actual forest conditions
14 and under current and reasonable management practices for
15 each forest valuation zone established under 15-44-103.

16 (10) "Stumpage value" means the amount that timber would
17 sell for under an arm's-length transaction made in the
18 ordinary course of business, expressed in terms of dollars
19 per unit of measure.

20 (11) "Timber" means all wood growth on privately owned
21 land, mature or immature, alive or dead, standing or down,
22 that is capable of furnishing raw material used in the
23 manufacture of lumber or other forest products. The term
24 does not include cultivated Christmas trees."

25 NEW SECTION. Section 5. Applicability -- rulemaking.

LC 1011/01

1 (1) [This act] applies to tax years beginning after December
2 31, 1993.

3 (2) The department of revenue may institute rulemaking
4 under Title 2, chapter 4, to implement [this act] prior to
5 October 1, 1993, but the rules may not be effective prior to
6 October 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0447, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An act taxing nonagricultural and nonforest rural residential property consisting of between 5 and 80 acres located outside a city or town at one-half the rate of class four property; providing that residential improvements and 1 acre of land under the residential improvements are not classified as rural residential property; increasing the minimum agricultural income for small acreages from \$1,500 to \$3,000 and requiring annual certification of that amount; providing that land must include at least 80 acres for it to be automatically classified as agricultural land; increasing the minimum acreage automatically qualifying as forest land from 15 to 80 acres; requiring at least \$3,000 of forest income for land totaling less than 80 acres to qualify as forest land; and providing an applicability date.

ASSUMPTIONS:

1. It is estimated that there are 677,015 acres of land currently classified as class 3 (agricultural land) that are in parcels greater than 5 but less than 80 acres. For the purpose of this note it is assumed that 50% of this land would be reclassified as class 4 rural residential land. The increase in total Class 4 taxable valuation due to the reclassification of ag land property from class 3 to class 4 rural residential is estimated to be \$9,498,300.
2. Average mill levies for the ag land reclassified as class four rural residential property are 6.00 mills for universities, 95.00 mills for the school foundation program, 75.88 mills for counties, and 127.55 mills for local schools.
3. It is estimated that there are 136,100 acres of land currently classified as class 10 (timber land) that are in parcels greater than 5 but less than 80 acres. For the purpose of this note it is assumed that 50% of this land would be reclassified as class 4 rural residential land. The increase in total Class 4 taxable valuation due to the reclassification of timber land property from class 10 to class 4 rural residential is estimated to be \$2,971,556.
4. Average mill levies for the timber land reclassified as class four rural residential property are 6.00 mills for universities, 95.00 mills for the school foundation program, 78.18 mills for counties, and 137.09 mills for local schools.
5. It is estimated that there are 250,797 acres of land currently classified as class 4 (residential tract land) that are in parcels greater than 5 but less than 80 acres. All of this land would be reclassified as class 4 rural residential land. The decrease in total Class 4 taxable valuation due to the reclassification of residential tract land from class 4 to class 4 rural residential is estimated to be \$(9,620,260).
6. Average mill levies for the residential tract land reclassified as class four rural residential property are 6.00 mills for universities, 95.00 mills for the school foundation program, 78.64 mills for counties, and 136.92 mills for local schools.
7. Tax year 1992 total taxable value of class eleven property (farmsteads) is \$60,258,864. For the purposes of this note it is assumed that 20% of the class eleven property would be reclassified as class four property under the proposal. This results is an increase in taxable value of \$3,012,943.
8. Average mill levies for class eleven property are 6.00 mills for universities, 95.00 mills for the school foundation program, 78.62 mills for counties, and 116.71 mills for local schools.

David Lewis 2-9-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Emily Swanson 2-10-93
EMILY SWANSON, PRIMARY SPONSOR DATE
Fiscal Note for HB0447, as introduced

HB 447

FISCAL IMPACT:Revenues:

The net results of the reclassification of property to rural residential is an estimated increase of \$35,000 for universities and \$557,000 for SFP in FY95 and subsequent fiscal years.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities (02)	\$ 0	\$ 35,000
School Foundation (02)	0	557,000
Total	\$ 0	\$ 592,000

Expenditures:Department of Revenue:

Implementation of this proposal would require additional total administrative expenses of \$100,186 in FY94, and \$83,996 in FY95.

Property Valuation

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
FTE	398.66	401.26	2.60	398.66	401.26	2.60
Personal Services	\$ 11,885,655	\$ 11,969,584	\$ 83,929	\$ 11,913,545	\$ 11,989,014	\$ 75,469
Operating Expenses	2,180,406	2,196,663	16,257	2,192,109	2,200,636	8,527
Equipment	222,278	222,278	0	205,648	205,648	0
Debt Service	269,800	269,800	0	269,800	269,800	0
Total	\$ 14,558,139	\$ 14,658,325	\$ 100,186	\$ 14,581,102	\$ 14,665,098	\$ 83,996
General Fund Impact	\$ 14,558,139	\$ 14,658,325	\$ 100,186	\$ 14,581,102	\$ 14,665,098	\$ 83,996

EFFECT ON LOCAL REVENUES:

The proposal will not impact local governments equally. The impact depends on the distribution of reclassified property within the jurisdiction (for example, if the jurisdiction has a high proportion of residential tracts 5 to 80 acres, the proposal may result in a decrease in taxable valuation). Generally, most local governments will receive an increase in taxable valuation due to the proposal. The net results of the reclassification of property to rural residential is an estimated increase of \$433,000 for counties and \$653,000 for local schools in FY95 and subsequent fiscal years.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 0	\$ 433,000
Local Schools	0	653,000
Total	\$ 0	\$ 1,086,000

HB 447